

Message Text

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FOR EA/PRCM

E.O. 11652: GDS
TAGS: EFIN CH US
SUBJ: NCUSCT VP STANLEY YOUNG MEETS WITH BANK OF CHINA OFFICIALS

1. SUMMARY. BANK OF CHINA HAS RAISED WITH STAN YOUNG
OF NCUSCT QUESTION OF PROTECTION OF CHINESE DEPOSITS IN
US BANKS AGAINST ATTACHMENT BY US CLAIMANTS. YOUNG HAS ASKED
FOR AN ANSWER TO PASS TO BANK OF CHINA. ENNKUMMARY.

2. STANLEY YOUNG, VICE PRESIDENT OF THE NATIONAL COUNCIL
FOR US-CHINA TRADE (NCUSCT), WHO IS ACCOMPANYING THE
NATIONAL COUNCIL'S LIGHT INDUSTRIAL HANDICRAFTS DELEGATION
IN CHINA, HAD AN OPPORTUNITY TO MEET WITH BANK OF CHINA
OFFICIALS DURING HIS STAY IN PEKING.

3. PRESENT AT THE MEETING FOR THEE BOC WERE WANG YU-CHENG
(DEPUTY GENERAL MANAGER) AND LIU PEN-KUN (DEPUTY
DIRECTOR OF THE BANKING DEPARTMENT), PLUS SEVERAL
STAFF MEMBERS. IN A SPIRITED DISCUSSION ON
BILATERAL BANKING RELATIONS, THE BOC OFFICIALS
INDICATED THAT THEIR CLOSE TIES WITH ONE US BANK
(FIRST NATIONAL BANK OF CHICAGO) WOULD BE
SUFFICIENT FOR NOW. YOUNG DISPUTED THIS,
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NOTING THE IMPORTANT ROLE WHICH US BANKS THROUGHOUT
THE COUNTRY CAN PLAY IN DEVELOPING BILATERAL
TRADE, ASSISTING TRADERS, ETC.

4. YOUNG RAISED THE POSSIBILITY OF A US BANKING
DELEGATION BEING INVITED TO CHINA; THE BOC
REACTED PASSIVELY TO THIS. IN ADDITION, HE

SUGGESTED THAT A PRC BANKING DELEGATION VISIT THE US, SIMILAR TO THE BOC VISIT TO EUROPE LAST YEAR, WHICH COULD STUDY MODERN US BANKING METHODS INCLUDING ELECTRONIC BANKING. THIS LATTER SUGGESTION PROVOKED REFERENCE BY THE CHINESE TO THE EXPORT CONTROL PROBLEMS THAT IBM WAS EXPERIENCING (PRESUMABLY IN CONNECTION WITH THE HONG KONG BANK OF CHINA COMPUTER SALE AS WELL AS THE SHENYANG BLOWER WORKS SALE), BUT NO OTHER SUBSTANTIVE RESPONSE.

5. THERE WAS ALSO SOME DISCUSSION OF THE CLAIMS/ ASSETS ISSUE, AT THE CONCLUSION OF WHICH THE BOC OFFICIALS ASKED YOUNG TO SEEK A RESPONSE TO THE FOLLOWING QUESTION: IF THE BOC WERE TO MAKE DEPOSITS IN US BANKS, WOULD THE USG GUARANTEE THAT THESE ACCOUNTS WOULD NOT BE "SUBMITTED TO THE FROZEN ASSETS SITUATION" (I.E., NOT SUBJECT TO ATTACHMENT BY PRIVATE CLAIMANTS)? YOUNG SAID HE WOULD TRY TO GET AN ANSWER TO THIS QUESTION FROM WASHINGTON. HE WOULD APPRECIATE THE DEPARTMENT'S BRIEFING CHRIS PHILLIPS ON THE FOREGOING.

6. COMMENT: WE HAVE ALREADY INDICATED TO YOUNG OUR SKEPTICISM THAT THE US CAN GIVE ANY GUARANTEE AGAINST ATTACHMENT OF PRC FUNDS BY PRIVATE CLAIMANTS IN THE ABSENCE OF A CLAIMS AND ASSETS SETTLEMENT.
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7. YOUNG WOULD LIKE TO TRANSMIT TO THE BANK OF CHINA INFORMATION ON ANY NEW US METHOD FOR HANDLING PRC DEPOSITS BY AMERICAN BANKS IN THE US OR THE CLAIMS AND ASSETS PROBLEMS GENERALLY. IF, AS WE PRESUME, THERE ARE NO DEVELOPMENTS, WE COULD PASS THIS ON TO YOUNG FOR THE BANK OF CHINA. IF, HOWEVER, THERE HAVE BEEN SUBSTANTIVE CHANGES IN THE CLAIMS AND ASSETS SITUATION, WE BELIEVE THAT THE PRC SHOULD BE NOTIFIED THROUGH USG CHANNELS AND NOT THROUGH THE NCUSCT.
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